

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
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FOI/PA# 1180896-1

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/02/2003

Source, who is not in a position to testify, provided the following information:

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Investigation on 03/27/03 ²⁰ at Chicago, IL. (telephonically)

File # [redacted] 281A-CG-119526 ¹⁷ Date dictated 04/2/03 ⁴⁴⁸

by SA [redacted] /t1k ^{TME} b6
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FEDERAL BUREAU OF INVESTIGATION

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b7DDate of transcription 04/02/2003

Source, who is not in a position to testify, provided the following information:

[Redacted area]

Investigation on 03/27/03 ²⁰ at Chicago, IL. ^{194B/cg 114999 SubE -} (telephonically)

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File # [redacted] 281A-CG-119526 ¹⁷Date dictated 04/2/03by SA [redacted] /tlk ^{TME}b6
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/30/2003

[redacted]
[redacted] DOB [redacted] SSN [redacted]
[redacted] e-mail [redacted] was
interviewed at her residence. After being advised as to the nature
of the interview and the identity of the interviewers, [redacted]
provided the following information:

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b7Db6
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b7DInvestigation on 4/21/2003 at Chicago, IllinoisFile # 194B-CG-114999-EDate dictated 4/22/2003

by SA [redacted] er

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194B-CG-102223-E

Continuation of FD-302 of

[Redacted]

, On 4/21/2003

, Page 6

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[Redacted]

At this point the interview was concluded. [Redacted] was then served with a Federal Grand Jury subpoena calling for her appearance and the production of documents. [Redacted] stated that she would make copies of documents that she had and provide them to the interviewing Agents. [Redacted] also offered to answer further questions if requested to do so.

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On August 13, 2003, [redacted] Deputy Administrator for Investigations, ILLINOIS GAMING BOARD (Gaming Board) advised that the Gaming Board/Attorney General and Emerald are close to reaching a settlement. Heading up the negotiations for the Board and AG are [redacted] respectively. [redacted] is AG [redacted]'s top assistant. Terms of the agreement will be very similar to the Settlement Agreement Emerald officials signed earlier this year in that Emerald investors will receive a refund of their investments and an opportunity to reinvest, but will not receive any interest. Also, investors found by the Board to be unsuitable, i.e., [redacted] will receive nothing. This will be accomplished through the levying of a fine. Since the original stock subscription agreement states that any investor found unsuitable would receive a refund of their investment, the Board will levy a fine for lying on their applications in the same amount of their investments. [redacted] will receive about \$20 million, which is half of the \$40 million they had in the business. They would not receive any interest.

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The unknown aspect of the settlement is Rosemont. The settlement will not include the Village's claims for \$45 million for the garage and \$200 million in lost revenue. The Board's position is that since the bankruptcy court did not find Rosemont's claims to be valid and did not approve Rosemont as a creditor in Emerald's bankruptcy, its claims will be left unresolved and open for future litigation. [redacted] thinks that Mayor Stephens may agree to back the settlement and not pursue the Village's claims in return for a public statement by the Board that Rosemont is an acceptable location for a casino. This would counter previous negative comments by Board members about the Village and clear the way for Rosemont to partner with a new gaming company in a bid for the surrendered Emerald license. Currently, Rosemont is working with Park Place on a new casino bid plan.

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As a result of these continuing negotiations, the revocation hearing that was to resume on 8/14/2003 was indefinitely postponed.

[redacted] stated that Governor Blagojevich cut the Gaming Board budget by 20% and reduced staffing from 140 to 77. This personnel reduction will affect the Board's ability to police the existing casinos, as well as conduct the investigations necessary to get the 10th license up and running.

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The State Inspector General's Office briefly looked into the [redacted] matter, but closed its case with no

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further action taken. The Board voted to refer the matter to the Internal Affairs Office in the Revenue Department, whose investigation is continuing. The Board chose to keep all documents from []'s office, despite his attorney's protests and calls to the governor's office. []'s attorney is [] []

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On August 18, 2003, [] advised that negotiations on the agreement were continuing, but that the above described monetary terms are settled. In the coming week, the terms and procedures for the new bid process will be hammered out. The AG and the Board were not involved in and do not recognize as legitimate recent bids Emerald solicited through Rothschild. (Opened and announced in the media on 8/1/2003.) A new bid process will be initiated, which may or may not elicit the same or new bids from gaming companies affiliated with various Illinois communities.

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As a result of these continuing negotiations, the revocation hearing that was to resume on 8/14/2003 was postponed until September 4, 2003, by which time everyone involved expects that an agreement will be announced.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 08/21/2003b6
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On this date, a Source, who is not in a position to testify, was interviewed and provided the following information:

[Redacted]

Investigation on 07/25/2003 at Chicago, IllinoisFile # [Redacted] 194B-CG-114999-E Date dictated 07/30/2003by SA [Redacted]b7D
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/25/2003

A Source, who is in a position to testify, provided the following information:

[Redacted]

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[Redacted]

-NRA *DMK*

Investigation on 11/21/2003 at Undisclosed Location
File # [Redacted] 194B-CG-114999 Sub E - *462* Date dictated 11/25/2003
by SA [Redacted] :mwm

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[Handwritten signature]

On June 2, 2004, [redacted] Deputy Administrator for Investigations, ILLINOIS GAMING BOARD (Gaming Board) telephonically contacted SA [redacted] and provided the following information:

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[redacted] wanted to make sure writer saw the article in the Friday, May 28, 2004, *CHICAGO SUN-TIMES* (copy attached) that drew connections between [redacted]

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[redacted]
[redacted] an EMERALD CASINO investor.

[redacted] stated that several months ago when the Governor appointed [redacted] his unpaid gambling liaison, [redacted] was pushing Gaming Board staff and threatened their jobs if they did not come to a compromise that would allow EMERALD to open the casino in Rosemont. Staff was never quite sure why [redacted] was chosen as the liaison and why he was pushing so hard. Staff did not know how [redacted] a California businessman, became involved in the casino. They now think [redacted] was a front man for his business partners, [redacted]

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[redacted] provided a copy of [redacted]'s Statement of Economic Interest referred to in the newspaper article (copy attached).

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As for where the EMERALD CASINO license currently stands, [redacted] advised that the Gaming Board does not want to resume the hearing to revoke EMERALD's license and wants to move ahead with the sale of the license to ISLE OF CAPRI. Attorney General LISA MADIGAN, however, has ordered that the hearing resume, which could happen in about 45 days.

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Gov's gambling liaison linked to casino investor

Held stock in firm whose owner had stake in Emerald license

BY CHRIS FUSCO AND DAVE MCKINNEY
Staff Reporters

Gov. Blagojevich's gambling point man last year quietly held stock in a firm co-owned by an Emerald Casino investor who stood to gain from the administration's effort to get Emerald's dormant gaming license running.

Christopher G. Kelly also has business ties with Blagojevich fundraiser Tony Rezko, who until March 2003 held an option to lease a Rosemont-owned hotel site that's across the street from where Emerald's casino was supposed to go.

Kelly's business dealings with both Rezko and Emerald investor Andrew Cherng came to light for the first time in disclosures that Kelly was forced to make this month under a new state ethics law.

Kelly's interest in a group of more than 80 Midwestern Panda Express Chinese restaurants, a venture headed up by Cherng and Rezko, raises troubling new questions about possible double-dealing by Kelly — charges that Kelly denied.

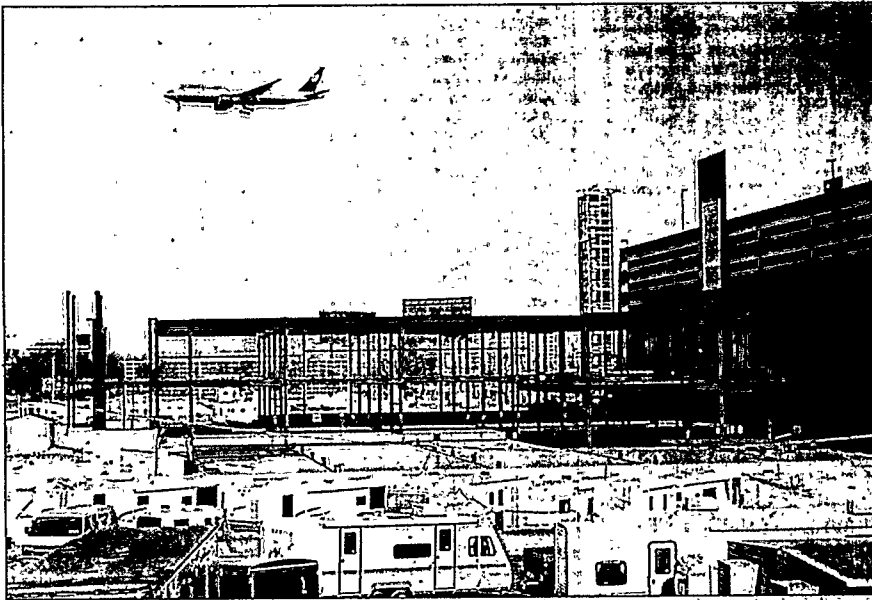
It also arms Blagojevich's rivals with fresh ammunition to attack his credentials as a reform governor as talks are under way in the Legislature to bring more gambling to Illinois.

"This smacks of the old way Gov. Blagojevich is always complaining about," said Jason Gerwig, spokesman for the Illinois Republican Party. "The appearance of any kind of conflict should have raised flags on their part."

The Blagojevich administration dismissed the conflict-of-interest allegations and said through a spokeswoman that the governor was not told by Kelly — who is also his campaign finance chairman — about his business ties to the Emerald investor.

"The governor wasn't aware of Kelly's investment," Blagojevich spokeswoman Cheryl Jackson said. "But you're talking about someone who represented the governor in a very informal role in a situation that the governor has no direct control over [and a situation] in which the person owns stock in a company that's owned by another guy. I think that's pretty tenuous."

Kelly declined to be interviewed but said through a spokesman that he had no idea Cherng had invested \$1.5 million in Emerald in



Construction of a casino in Rosemont remains at a standstill while the fate of the state's 10th casino license is being resolved. —JEAN LACHAT/SUN-TIMES



Gov. Blagojevich
"Wasn't aware" of investment



Donald Stephens
Received contribution from firm

1999 until recently. Kelly also didn't know about Rezko's interest in land near the Rosemont casino site until long after he disengaged from the Emerald talks last summer.

"Mr. Kelly was asked to perform a job, and he did it," the spokesman said. "He had no knowledge of Mr. Cherng's involvement, nor would it have mattered, as his focus was on the issue, not any individuals."

In 1999, Rezko was denied his bid to become part of a minority ownership group in Emerald that included 22 women, blacks, Asians and Hispanics.

He instead introduced Cherng

to Emerald and bought the lease option on the Rosemont hotel site. Rezko said he didn't tell Kelly about the land interest because he had no intention of developing it after Blagojevich was elected governor.

Blagojevich named Kelly as his unpaid gambling liaison shortly after taking office in January 2003. Eager for a quick infusion of cash into the state treasury, the governor wanted his friend to broker a settlement in Emerald's legal quagmire, sparked by its failed 2001 bid to open in Rosemont.

Cherng, who could not be reached this week, stood to gain by

Kelly's negotiations because there were discussions about whether to refund money to Emerald investors or allow some to buy back into whatever company acquired Emerald's license.

Rosemont recently has seen its casino hopes rise again as another company, Isle of Capri Casinos, got a green light this month from a U.S. Bankruptcy Court to buy Emerald's license and finish Emerald's partially built casino. Plans call for minority investors like Cherng to be allowed to buy Isle stock.

Kelly also reports that he received "gifts of personal friendship" from Rezko and Blagojevich,



Blagojevich aide Christopher Kelly's business interests raise troubling questions about possible double-dealing by Kelly — allegations he has denied. —UPI

"This smacks of the old way Gov. Blagojevich is always complaining about. The appearance of any kind of conflict should have raised flags on their part."

JASON GERWIG, spokesman for the Illinois Republican Party

each totaling more than \$500 last year, and that he has provided similar gifts to both men.

Cherng "donated" \$20,000 to Blagojevich's campaign in 2002 through his \$400 million-a-year company, state records show. In 2000, Panda also contributed \$1,000 to House Speaker Michael Madigan (D-Chicago) and \$1,000 to Rosemont Mayor Donald Stephens. The company has a restaurant in Rosemont.

Chicago auto dealer Al Johnson, a minority investor in Emerald, was puzzled to learn of Kelly's business tie to Cherng. He said Kelly took a hard line against investors like Cherng, who helped Emerald meet a requirement that its casino be 20 percent minority-owned.

"Kelly was one of our main problems when the governor took office. He didn't get along with us on Emerald," Johnson said. "We've never trusted Kelly because he seemed to have his own agenda. We didn't know what it was, but we didn't trust him."

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 09/10/2004

[redacted] currently [redacted]
[redacted] was interviewed via
video conference regarding the Rosemont casino and Mayor DONALD
STEPHENS. Also present in Chicago was Assistant United States
Attorney (AUSA) [redacted] who advised [redacted] the Federal
Government wanted the truth about his knowledge of [redacted]
[redacted] voluntarily provided the
following information:

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b7DInvestigation on 8/6/2004 at Chicago, IllinoisFile # 194B-CG-114999 Sub EDate dictated 8/17/2004 -491by SA [redacted] merb6
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 09/22/2004

Source, who is not in a position to testify, provided the following information:

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Investigation on 9/17 & 22/2004 at Addison & Rolling Meadows, IL

File # [REDACTED] 194B-CG-114999-E-493 Date dictated 9/21 & 22/2004

by SA [REDACTED] (9/22/04 only)

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